

Why the Job Market Will Brighten

By Rick Newman | The Exchange - October 24, 2013

If you're looking for gloom, it's easy to find: The economy is slumping along, Americans are checking out of the labor force, and Washington politicians seem like they're trying to sabotage prosperity.

However, if you look a little harder, you might find some cause for optimism. The latest jobs numbers seem discouraging, for instance. During the third quarter, employers created just 143,000 jobs per month on average--barely enough to lower the unemployment rate, now at 7.2%. But a weak pace of hiring so far in 2013 could mean companies are getting more and more desperate for fresh blood, with a hiring boomlet possible in 2014.

"Payroll numbers probably bottomed out in the third quarter," says **Bernard Baumohl, chief global economist for the Economic Outlook Group**. "We expect to see a meaningful acceleration in hiring early in 2014 as global economic conditions improve."

The job market for the rest of this year could remain distorted by the recent, 16-day government shutdown. Many employers put hiring plans on hold while waiting to see how badly Washington would damage the economy. Plus, the shutdown forced the Labor Department to delay the surveys used to gather data on jobs, so the numbers could be skewed all the way into December.

One hopeful sign, though, is consumer willingness to spend after the shutdown, with a recent Gallup poll and other surveys showing Americans plan to spend a bit more than last year during the key holiday shopping season. That doesn't mean an economic surge is coming, but it suggests we're learning to shrug off Washington showdowns and carry on as if life doesn't revolve around the tantrums of politicians. Imagine that.

Businesses and shareholders seem more inured to the D.C. follies, as well. Despite a few edgy days, for instance, the stock market largely held up during the shutdown, and it rose sharply when the government reopened. That suggests

investors believe the underlying economy is worth investing in, and also that the shutdown may have extended the date at which the Federal Reserve begins to rein in easy-money policies that are very favorable toward business.

Baumohl points to three other oft-overlooked indications the economy is getting healthier and hiring is likely to pick up:

- Business demand for goods and services is at a two-year high, according to the Institute for Supply Management. Businesses have become very careful about spending, so if orders are rising, that makes it very likely that a boost in economic activity is coming.

- Freight traffic on railroads is up considerably over 2012 levels, another signal that the core economy is gathering steam.

- Something called the Chemical Activity Barometer, which closely tracks industrial production, has picked up lately, a strong sign that industrial output will follow the same path.

Employers will add about 230,000 jobs per month, on average, during 2014, with the pace accelerating throughout the year, **Baumohl** predicts. That would be a meaningful jump from the 178,000 monthly tally so far in 2013.

While other forecasters are less optimistic, most think Washington will eventually stop spooking markets, reducing one unnecessary drag on job growth. That alone would help lift the gloom.

###